INDEX TO APPENDIX

PAGE

Respondent's Refunding Bond Resolution Provisions providing for:

(a) Findings of Fact under original Resolution (Petitioner's Exhibit H) 19

(b) Issuance of Bonds:

(1) Under the Original Resolution (Petitioner's Exhibit H) 20

(2) Under the Supplemental Resolution amending the original Resolution (Petitioner's Exhibit H-1) 21

(c) Prior Lien Bonds (Under Original Resolution (Petitioner's Exhibit H) 22

Respondent's Refunding Bond Resolution Provisions providing for:

(a) Findings of Fact (Petitioner's Exhibit H)—

Section 1.01

11. The AUTHORITY is mindful that in certain instances, thought to be few in number, holders of OUTSTANDING BONDS may be legally unable or will rufuse to agree to the exchange and that as a consequence it will become necessary for the INVESTMENT BANKERS to acquire such OUTSTANDING BONDS. The INVESTMENT BANKERS for their part have agreed, within certain limitations, to make such acquisitions. To the extent of such acquisitions, and within the limit prescribed by the contract between the AUTHORITY and the INVESTMENT BANKERS, the AUTHORITY will issue BONDS which shall bear the rate of interest to be borne by the $522,000 portion of the BONDS, but all of such BONDS shall be given the higher numberings than BONDS that are directly exchanged, so that (except through a partial refunding as authorized by Section 10.04) such portions of the BONDS will become subject to redemption subsequent to the redemption of the BONDS directly exchanged for OUTSTANDING BONDS. Each BOND so issued shall be delivered to the INVESTMENT BANKERS in exchange for an OUTSTANDING BOND so acquired, and, in addition a CERTIFICATE shall be delivered to the INVESTMENT BANKERS for any matured and unpaid interest coupons accompanying such OUTSTANDING BOND.

12. In the adoption of this RESOLUTION the AUTHORITY proposes to provide for the issuance of BONDS to effectuate the plan above described, to prescribe the terms and conditions under which the BONDS will be issued, and to make provision for their payment. It is mindful that in view of unknown factors now existing, particularly those factors relating to the number of OUTSTANDING BONDS which shall not be exchanged by their holders, it cannot now precisely prescribe the amount of BONDS that will be directly exchanged and the number of BONDS that must be acquired by the INVESTMENT BANKERS.

For this reason a resolution supplemental to the RESOLUTION must be adopted, but in order that the RESOLUTION shall fairly present the plan, it has been assumed, for the purposes of the RESOLUTION, that the INVESTMENT BANKERS must acquire $100,000 of OUTSTANDING BONDS of the AUTHORITY which they will exchange for BONDS NOW authorized. For convenience in preparing the exhibit referred to in paragraph 9 *supra*, it has been assumed that the entire $100,000 of OUTSTANDING BONDS so acquired by the INVESTMENT BANKERS were those OUTSTANDING BONDS which constituted the last numbered part of the 1988 maturity of the third series of OUTSTANDING BONDS (those dated July 1, 1959).

(b) Issuance of Bonds

(1) Under the original Resolution (Petitioner's Exhibit H)—

Section 7.01

Pursuant to the ENABLING ACT, and in order to refund OUTSTANDING BONDS, and to improve the SYSTEM, there shall be issued Four Million Three Hundred Thousand Dollars ($4,300,000) Natural Gas System Refunding and Improvement Revenue Bonds of York County Natural Gas Authority. The said BONDS shall be dated the 1st day of March, 1964, shall be numbered from 1 to 4,300, inclusive, and all BONDS shall mature on March 1, 1964.

Section 7.02

In order to provide bonds for the purpose of exchanging the same with OUTSTANDING BONDS in the aggregate principal amount of $3,678,000, tendered by their respective HOLDERS for their exchange, $3,678,000 of the BONDS shall be designated as BONDS of Series A and shall be numbered from 1 to 3,678, inclusive.

Section 7.03

The remaining $622,000 of BONDS which have been sold to the INVESTMENT BANKERS, in order to provide

funds to meet the expenses of the refunding plan, to provide improvements to the SYSTEM, and to provide funds for OUTSTANDING BONDS acquired by the INVESTMENT BANKERS from persons unwilling or legally unable to agree to the exchange plan, shall be designated as BONDS of Series B and shall be numbered from 3,679 to 4,300, inclusive.

(2) Under the Supplemental Resolution amending the Original Resolution to conform to the Plan of Composition submitted to and approved by the District Court (Petitioner's Exhibit H-1)—

Section 3.01

Sections 7.02 and 7.03 of the RESOLUTION are herewith stricken and the following shall be inserted in lieu thereof:

"Section 7.02

In order to provide bonds for the purpose of exchanging the same with OUTSTANDING BONDS in the aggregate principal amount of $3,778,000, tendered by their respective HOLDERS for their exchange, $3,778,000 of the BONDS shall be designated as BONDS of Series A and shall be numbered from 1 to 3,778, inclusive."

"Section 7.03 [8]

The remaining $522,000 of BONDS which have been sold to the INVESTMENT BANKERS, in order to provide funds to meet the expenses of the refunding plan, and to provide improvements to the SYSTEM, shall be designated as BONDS of Series B and shall be numbered from 3,779 to 4,300, inclusive."

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[8] Note deletion from Section 7.03 as amended of the words "and to provide funds for Outstanding Bonds acquired by the Investment Bankers from persons unwilling or legally unable to agree to the exchange plan."

(c) Prior Lien Bonds (under original Resolution—no change made—Petitioner's Exhibit H).

Section 6.01

Both the BONDS and the OUTSTANDING BONDS are prescribed to be payable from the revenues derived by the AUTHORITY from the operation of the SYSTEM remaining after payment of the costs of operating and maintaining the same. The principal cost of operation involves the purchase of gas. At the present time the AUTHORITY is purchasing gas from Carolina Pipeline Company (CAROLINA), a small transmission pipeline company, which in turn buys gas from TRANSCONTINENTAL. Included in the cost of gas purchased by the AUTHORITY from CAROLINA is the cost incurred by CAROLINA in transporting gas through its transmission lines. Disputes have occurred between the AUTHORITY and CAROLINA as to whether the charges of CAROLINA are reasonable, and the AUTHORITY wishes to remain free to obtain gas from other sources upon the termination of its contractual relations with CAROLINA.

In order to obtain gas from some other source the AUTHORITY must be in a position to pay all or some portion of the cost of a transmission line betwee the SYSTEM and an adequate source of supply. Lancaster County Natural Gas Authority and Chester County Natural Gas Authority operate, in their respective counties, systems similar to that which the AUTHORITY operates in York County. It is possible that these latter named Authorities, or other agencies, public or private, might wish to cooperate with the AUTHORITY in acquiring, or constructing a transmission line to connect with the transmission pipeline now operated by TRANSCONTINENTAL, or with some similar source of supply. For that reason it has been determined that it is necessary to reserve the right to issue bonds whose claim to the revenues of the SYSTEM will be superior to the claim of the BONDS and the claim of ADDITIONAL BONDS. The issuance of PRIOR LIEN BONDS for such purpose would not, in the belief of the AUTHORITY, impair the security offered to those who

will hold the BONDS or ADDITIONAL BONDS, for the reason that debt service on such PRIOR LIEN BONDS will be in lieu of a large portion of the cost of operation and maintenance of the SYSTEM.

Section 6.02

The AUTHORITY reserves at all times the right to issue, from time to time and to such extent as the AUTHORITY shall deem necessary, bonds (PRIOR LIEN BONDS) whose proceeds shall be used to defray all or any portion of the cost of acquiring, constructing, improving or enlarging a transmission line or lines, in order to provide a source for a supply of natural gas for its SYSTEM. PRIOR LIEN BONDS may also be issued to refund outstanding PRIOR LIEN BONDS. Any such transmission line shall be designd in such a way as to make it possible for the SYSTEM of the AUTHORITY to function without using the systems of CAROLINA or any corporation which may succeed to the business of CAROLINA, (unless, pursuant to this Article the AUTHORITY, alone or in conjunction with others, shall acquire all or a part of the CAROLINA System). Such PRIOR LIEN BONDS may be issued to further any plan whereby the AUTHORITY will cooperate with other agencies, public or private, and may be issued from time to time in such amounts as shall be certified to by CONSULTING ENGINEERS as being required to defray the cost of acquiring, constructing, improving or enlarging such a transmission line or lines, but no such PRIOR LIEN BONDS (except PRIOR LIEN BONDS to refund PRIOR LIEN BONDS), shall be issued unless

(1) the AUTHORITY shall furnish a certificate of Certified Public Accountants detailing the quantities and costs of gas purchased by the AUTHORITY during each of the two preceding FISCAL YEARS;

(2) the AUTHORITY shall obtain a certificate from the CONSULTING ENGINEERS that the functioning of its existing SYSTEM will be improved and that the unit cost of gas to the AUTHORITY, as established by the certificate referred to in paragraph (1),

supra, following the acquisition or construction of such transmission line or any enlargement or improvement thereof, will not be increased over its comparable unit cost during each of the two preceding FISCAL YEARS by such an undertaking; and

(3) notice of the proposed issue of PRIOR LIEN BONDS shall have been given in writing, not less than ninety (90) days prior to the issuance of PRIOR LIEN BONDS, to the INVESTMENT BANKERS and to the FISCAL AGENT, and shall have been published in a financial publication published in the Borough of Manhattan, City and State of New York. If the Daily Bond Buyer shall then be published, the notice shall be inserted in one of its issues.

Section 6.03

PRIOR LIEN BONDS may be issued at any time, or from time to time, to refund outstanding PRIOR LIEN BONDS whenever the net dollar interest cost of proposed PRIOR LIEN BONDS is less than the existing net dollar interest cost of the PRIOR LIEN BONDS to be refunded. Such calculation of net dollar interest cost shall be made as of the date of the proposed refunding.